MEDICARE CONFERENCE FAILS LOW-INCOME SENIORS AND THOSE WITH DISABILITIES

Low-income seniors and people with disabilities are among the Medicare beneficiaries that need prescription drug coverage the most. But the bill provides limited help for this vulnerable population. In fact, the plan prohibits Medicaid from filling in the gaps in the new Medicare drug benefit, as Medicaid does now for other benefits. Given the ongoing state budget crises, up to 6.4 million low-income seniors and people with disabilities could receive less help with their prescription drug costs than they do now.

- **Ratchets back on current access to drugs for 6.4 million low-income beneficiaries.** Medicaid currently covers Medicare beneficiaries who need drug coverage the most: 2/3 of all nursing home residents, people with disabilities and the lowest income seniors. It provides comprehensive drug coverage due to this population's unique needs. However, the Medicare bill would, for the first time, prohibit any Federal Medicaid funding from being used to pay for drugs and cost sharing not paid for by Medicare. This means that if a private insurer denies Medicare coverage for a specific drug, the low-income senior has to pay 100 percent of the cost of the needed drug. There is one exception; states could receive federal matching funds to cover medications that are optional in Medicaid such as over-the-counter medications, but not available in Medicare. Similarly, nursing home patients would have new drug cost-sharing under Medicare that is not currently in Medicaid, despite that medically needy nursing home patients often have given up close to everything to get nursing home coverage and are only permitted a personal needs allowance of as little as $30 a month in some states. States could not, as they do now, split the cost of this needed medication with the Federal government; instead, this "deal" pits access to drugs against state budget problems.

- **Significantly reduces assistance relative to the Senate low-income provisions.** Although the conference bill allows dual eligibles to receive the Medicare benefit, it cuts back on important aspects of the Senate bill's low-income protections:

    - **Worse assets test**: About 2.8 million fewer low-income beneficiaries under 150% of FPL (<$13,470) would qualify for coverage due to a stricter assets test relative to S.1.

    - **Higher cost-sharing for people with incomes up to 135 percent of the poverty level.** Under current law, low-income beneficiaries have copayments as low as 50 cents and as high as $3; these amounts do not increase from year to year. The conference report raises cost-sharing for those with the lowest incomes by requiring $1 and $3 copayments for beneficiaries whose income is less than $8,980 a year and $2 and $5 copayments for beneficiaries whose income is between $8,980 and $12,123 a year. In addition, all of these copayments will rise at the same level as prescription drug spending, which is projected to average 10% a year; this far exceeds the annual 1.5-3% Social Security COLAs.

    - **Lower income threshold**: About 1.1 million low-income seniors with incomes between $13,470 and $14,368 per year (150-160 %of poverty) would be disqualified relative to S. 1

    - **Higher cost-sharing for people with incomes between 135 - 150 percent of the poverty level.** S. 1 limited coinsurance for this group to 10 percent before the coverage gap, and 20 percent in the coverage gap or donut hole. However, in S. 1 the gap started later in spending and was smaller. In contrast, the conference report requires this group to pay 15 percent coinsurance between $50-$5,044 in total drug spending. This coinsurance will increase by the cost of drugs over time -- far outpacing annual Social Security COLA increases.

- **Creates administrative barriers to coverage**. It does not allow for enrollment at Social Security offices for beneficiaries eligible for Medicare low-income drug benefits. Under the plan, seniors who have worked all their lives for a Medicare benefit would need to go to state Medicaid and welfare offices to apply for assistance. Current low-income assistance programs that are run through those offices have low enrollment rates because seniors have difficulty accessing these systems.

- **Takes Medicaid savings away from states.** For the first time in history, states will be required to fund a Medicare benefit. The final bill includes a maintenance of effort provision that requires significant annual payments from states to Medicare every year to offset savings that they would have gained from having Medicare take over drug coverage for low-income Medicare beneficiaries. The conference bill requires states to pay 97.5% of the cost of drugs for low-income beneficiaries phased down to 75% in perpetuity. This amount could total around $90 billion from 2006-13 – almost $80 billion more than they would have paid in the House-passed bill. This places greater fiscal pressures on states over the long-run, resulting in reduced Medicaid eligibility and benefits.